C.P.U. No. 247

COMMITTEE ON PUBLIC UNDERTAKINGS (1973-74)

(FIFTH LOK SABHA)

FORTY-SIXTH REPORT

Action Taken by Government on the recommendations contained in Paragraph 3.58 of the Fortieth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on role and achievements of Public Undertakings form and contents of the Annual Reports of the Bureau of Public Enterprises on the working of Industrial and Commercial Undertakings of the Central Government

(MINISTRY OF FINANCE)

(Bureau of Public Enterprises)

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CORRIGENDA

Forty-Sixth Report of the Committee on Public Undertakings (1973-74) on action taken by Govt. on the recommendations contained in Paragraph 3.58 of the 40th Report (5th Lok Sabha) on Role and Achievements of Public Undertakings.

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Page	Para	Line	For	Read
4	1.8	1	Renumber para 1.8 as 1.9 and remove number of the next para	
8	1.16(e)	2	undertakign	undertaking
8	1.17	3	recommendation in paragraph 3.58 of their 40th Report on	annual report is to serve the purpose of informing the Mem-
11	1(iii)	2	got	get
15	6	8 (from bottom)		Delete comma
19	II(d)	1	Technial	Technical
26	C	1	basis	basic
29	(g) Financial Services			Add the following:

"1.Rural Electrification Corporation
2.Film Finance Corporation Ltd.
(h) Insurance
1.Life Insurance Corporation
2.Export Credit and Guarantee Corporation
(i) Rehabilitation of Sick Industries
1.National Textile Corporation Ltd.
2.Rehabilitation Industries Corporat on Ltd.

Total= 101

(Ministry of Finance(Bureau of Public Enterprises) D.O No.1451/Adv(F)/73 dt 27.10.73)"

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1973-74)

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Shri Avtar Singh Rikhy—*Joint Secretary.*
Shri M. A. Soundararajan—*Deputy Secretary.*

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*Appointed to act as Chairman from 16-5-73 to 11-7-73 during the absence abroad of Shrimati Subhadra Joshi.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present the Forty-Sixth Report on Action Taken by Government on the recommendations contained in Paragraph 3.58 of the Fortieth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Role and Achievements of Public Undertakings—Form and Contents of the Annual Reports of the Bureau of Public Enterprises on the working of Industrial and commercial Undertakings of the Central Government.

2. The Fortieth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 5th September, 1973. Note containing reply of Government to the recommendation contained in paragraph 3.58 of the Report was received on the 27th October, 1973.

3. The reply of Government to the recommendation contained in paragraph 3.58 of the aforesaid Report was considered by the Committee on Public Undertakings on the 20th December, 1973 and the Chairman was authorised to finalise the Report on the basis of the decision of the Committee.

NEW DELHI;
December 20, 1973
Agrahayana 29, 1895 (*S*)

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

REPORT

A. Introductory

The first annual report on the working of industrial and Commercial Undertakings of the Central Government was prepared for the year 1960-61 by the Ministry of Finance to give a composite picture of the working of these undertakings.

1.2. The form and contents of the annual report were reviewed from time to time and improvements made in the light of the recommendations made by the Estimates Committee in their 73rd Report (1959-60) and 42nd Report (1963-64) on 'Revision of the Form and the Contents of the Demands for Grants.'

1.3. In Paragraphs 14.5 to 14.7 of their 24th Report (Fifth Lok Sabha) on the subject of 'Revision of the Form and the Contents of the Demands for Grants' the Estimates Committee (1972-73) recommended *inter-alia* that:—

(i) "*Recommendation No. 25 (Paragraph 14.5)*

'The Committee find that the annual report being brought out by the Bureau of Public Enterprises at present covers only some aspects of the functioning of the public undertakings. It fails to indicate clearly the basic and important problems facing these undertakings, their major deficiencies and the remedial measures taken or proposed to be taken by Government. In the opinion of the Committee, this Report should, *inter-alia* bring out:—

(a) the contribution made by undertakings in achieving a self-reliant and self-generating economy and in achieving the social and economic objectives;

(b) the extent to which the role and objectives envisaged for the undertaking have been achieved;

(c) quality and price of goods manufactured by these undertakings and the extent to which these have given satisfaction to the public;

(d) percentage utilisation of rated capacity; and

(e) cumulative and annual loss on these undertakings, reasons therefor and the remedial steps taken or proposed to be taken by Government."

(ii) *Recommendation No.* 26 (*Paragraph* 14.6).

"The Committee need hardly point out that if this annual report is to serve the purpose of informing the Members of Parliament, it should be made available to them alongwith other budget documents so that the members can study and make use of it when the relevant Demands for Grants come up for discussion in the House. The Committee are unable to appreciate why the mere process of compilation and printing of annual report should take as many as 5 to 6 months. The Committee would like Government to take concerted measures to ensure that the process of compilation and printing is speeded up so that the report is made available to Members of Parliament alongwith other budget papers." ....

(iii) *Recommendation No.* 27 (*Paragraph* 14.7)

"The Committee, therefore, recommend that an examination of the information provided in the consolidated report brought out by the Bureau of Public Enterprises should immediately be undertaken with a view to improving its format and giving to Parliament information on all vital aspects affecting these undertakings in a properly analysed manner. Detailed proposals for improving the report and presentation of data in a meaningful manner and its timely submission to Parliament should be drawn up *and submitted to the Committee on Public Undertakings for approval before implementation.*"

1.4. In paragraph 3.58 of their 40th Report on 'Role and Achievements of Public Undertakings', the Committee on Public Undertakings (1973-74) reiterated the aforesaid recommendations of the Estimates Committee and observed:—

"The Committee reiterate the recommendations made by the Estimates Committee in paras 14.5 and 14.6 of the Twenty-Fourth Report (5th Lok Sabha) on the form and contents of Demands for grants that the contents of the

Bureau's annual report on Industrial and Commercial Enterprises should be improved and that the report should be made available to Members of Parliament alongwith the budget papers. The Committee would like the Bureau to improve the annual report so that it brings out clearly the achievements of public undertakings as also focus attention on significant issues which are hampering the achievements of production targets by the public undertakings in the interest of greater accountability to Parliament."

1.5. In pursuance of the aforesaid recommendations of the Estimates Committee and the Committee on Public Undertakings, the Ministry of Finance (Bureau of Public Enterprises) have furnished a Note containing their proposals for improvement of the Annual Report on the working of Industrial and Commercial Undertakings of the Central Government. (Appendix).

B. **Coverage**

1.6. In paragraph 4 of their 42nd Report (Third Lok Sabha), the Estimates Committee (1963-64) had *inter alia* observed that annual reports of the Bureau do not cover research, financial and banking institutions, such as, National Research Development Corporation, Industrial Finance Corporation, Life Insurance Corporation of India, etc. The National Research Development Corporation was accordingly included in the Annual Reports of the Bureau from 1962-63 and the *Industrial Finance Corporation and the Life Insurance Corporation of India from 1963-64.

1.7. It has been stated by Government that "as the Committee on Public Undertakings is charged with the functions of examining the reports and accounts of public undertakings specified in the Fourth Schedule to the Rules of Procedure and Conduct of Business in Lok Sabha, it is considered that the Bureau of Public Enterprises in its annual report should cover all undertakings which fall under the purview of the Committee on Public Undertakings from time to time."

1.8. The Committee agree in principle to the proposal of Government that the Annual Reports of the Bureau of Public Enterprises

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*At the time of factual verification the Bureau of Public Enterprises stated as under:—

"However, from the report for 1964-65 Industrial Finance Corporation was excluded as during that year the Central Government ceased to be a shareholder of Industrial Finance Corporation."

on the working of Industrial and Commercial Undertakings of the Central Government presented to Parliament should cover all public undertakings which fall within the purview of the Committee. These undertakings are specified in the Fourth Schedule to the Rules of Procedure and Conduct of Business in Lok Sabha, as amended from time to time. The Committee, however, would like the Bureau not to omit any public undertaking or organisation which already stands included in their Annual Report.

C. Classification of Public Undertakings

1.8. At present for the purposes of the Annual Report, public undertakings are broadly classified by the Bureau into the following eight categories:—

Category	Classification
I.	Undertakings under construction
II.	Running Concerns—Hindustan Steel Ltd.
III.	Running Concerns—Petroleum Industry
IV	Running Concerns—Industrial and manufacturing (other than HSL and petroleum group)
V.	Running Concerns—Trading
VI.	Running Concerns—Commercial & Misc.
VII.	Promotional and Developmental Undertakings.
VIII.	Life Insurance Corporation.

1.9. Government have stated that the Bureau propose to revise this classification. They have observed "to appreciate the working of various undertakings in proper perspective and to suitably differentiate between companies|undertakings engaged in different types of activities it would be desirable to classify them on a more rational basis retaining, however, the basic distinction between the projects under construction and running concerns". The running companies would, it has been stated, fall under the following two categories, *viz.*

1. Enterprises which are manufacturing and selling *goods;* and
2. Enterprises which are providing and selling *services.*

1.10. Under the revised classification proposed by Government, the 'Production Companies' and the 'Service Companies' would each cover the following:—

I. *Production Companies*—

A. Basic Raw materials .	(a) Steel (b) Minerals & Metals (c) Petroleum (d) Chemicals & Pharmaceuticals
B. Capital goods .	(a) Heavy Engineering (b) Medium and light engineering (c) Transportation equipment.
C. Consumer goods	
D. Agro-based Industries.	

II. *Service Companies*—

(a) Trading & Marketing Services

(b) Transportation Services (i) Air (ii) Sea and (iii) Road

(c) Contracts and Construction Services

(d) Industrial Development and Technical Consultancy Services.

(e) Development of Small Industries

(f) Tourist Services

(g) Financial Services

(h) Insurance

(i) Rehabilitation of sick industries.

1.11. As far as the Committee can see, the revised classification of public undertakings now proposed to be adopted for the purpose of Annual Reports on the working of Industrial and Commercial Undertakings of the Central Government would be more rational in as much as public undertakings producing goods would get differentiated from those which produce services. The Committee would, however, stress that the proposed revised classification should not become a static one but should be reviewed periodically in the light of experience gained with a view to evolve a rational, distinct and cognate grouping taking into account factors such as, objectives for which a public undertaking is set up, activities in which it is engaged, technological and managerial tasks expected of it, etc.

D. Contents of the Annual Report

1.12. It has been observed by Government that "improving the form and content of the annual report is a continuous process in which the Bureau of Public Enterprises is engaged."

1.13. In the Annual Report for 1971-72, the following additional features were incorporated by Government:—

(i) A new chapter on the performance of petroleum group of industries has been introduced.

(ii) A chapter has been added on "Maintenance of Machinery" which indicates the extent of breakdowns and losses resulting therefrom. An account of measures taken by the enterprises for effective utilisation of machinery has also been given.

(iii) In the chapter on Sales promotion and exports the Table showing production in quantitative terms has been modified to indicate the extent of capacity utilisation in respect of major items of production.

(iv) The analysis appended at the end of the Report gives the working results of enterprises for three years instead of for two years given in the past.

1.14. Thus following broad aspects are covered at present in the Annual Reports of the Bureau:—

(1) Investment

(2) Profit and Loss

(3) Internal Resources

(4) Health of Plant and Machinery in Public Sector Enterprises

(5) Sales

(6) Production

(7) Exports

(8) Turn-over

(9) Foreign exchange earnings other than by exports

(10) Exports—canalised through trading concerns

(11) Working Capital

(12) Inventories

(13) Employment

(14) Townships

(15) Foreign Exchange Credits and Utilisation

(16) Value of property in different States.

1.15. In the Annual Report for the year 1972-73, Government propose to include material relating to the following aspects:—

(i) Benefits derived by individual States due to Central public undertakings

(ii) pricing Policies

(iii) Amenities to employees including housing

(iv) Productivity including maintenance, quality control and marketing management

(v) Ancillary industries.

1.16. The Committee agree with the observation of Government that improving the form and content of the annual report is a continuous process. The Committee also agree with the suggestion of Government to include in the Annual Report for the year 1972-73, aspects like benefits derived by individual States due to Central public undertakings, pricing policies, amenities to employees including housing, productivity including maintenance, quality control and marketing management and ancillary industries. The Committee, however, feel that these features alone may not serve to make the Annual Report a comprehensive document from the point of view of accountability to Parliament. The Committee, therefore, suggest that Government may consider the advisability of including the following specific aspects :—

(a) Annual Report of the Bureau should contain a 'critical appreciation' of the performance of public undertakings as compared with the performance of each of the previous two years especially with reference to production|performance targets etc. vis-a-vis installed capacity, achievement as compared to the original sanctioned detailed project report or approved programme for expansion, findings of Government as a result of reviews conducted and remedial measures taken, with particular reference to improvements in management control.

(b) Cost of production.

(c) A statement showing the productivity index of each public undertaking as compared to the previous two years should be appended to the Report. A separate Chapter on 'Productivity' should be added in the Report, wherein productivity trends in important industries in the public sector should be analysed and compared to at least 2 years with the levels of productivity reached within the country and by other industrial countries.

(d) The report should contain a resume of the activities of Research & Development organisations in various public undertakings, expenditure incurred (undertaking wise and total), and the extent to which these have contributed to the achievement of self-reliance.

(e) At present the profit earned or loss incurred during the year of the Report of each undertakign is given. In future, cumulative loss|profit of each public undertaking and its percentage to Capital employed may also be indicated.

(f) In respect of each public undertaking under construction, progress with reference to schedule of construction and expenditure incurred with reference to sanctioned estimates and detailed project Report may be included. The effect of revision of estimates (if any) on economics of project and whether sanction of competent authority accorded should also be specifically brought out.

(g) Number of employees and salaries|wages of each public undertaking, the number of staff envisaged in the DPR and an indication of the extent of surplus staff in each enterprise should also be given. A system of linking wages with production ab initio with adequate incentives and measures taken to avoid overstaffing may also be included.

E. Presentation of Annual Report to Parliament

1.17. In paragraph 14.6 of their Twenty-fourth Report (5th Lok Sabha) the Estimates Committee (1972-73) recommended that "if this recommendation in paragraph 3.58 of their 40th Report on bers of Parliament, it should be made available to them alongwith other budget documents so that Members can study and make use of it when the relevant Demands for Grants come up for discussion

in the House." The Committee on Public Undertakings reiterated this recommendation in paragraph 3.58 of their 40th Report on "Role and Achievements of Public Undertakings."

1.18. In reply, Government have stated that the preparation of the Annual Report in the Bureau of Public Enterprises requires, in addition to the time taken for consolidation and analysis, a period of 3 to 4 months for the Press to bring out the English and Hindi versions. Considerable effort has to be directed towards research and analysis of the reports received individually from the undertakings. Further, their conclusions would have to be cross-checked with the undertakings before publication. Government have, however, intimated that "for the year 1972-73, it is hoped to make the report available to both the Houses of Parliament by the first week of April *i.e.*, before the Demands for Grants are taken up for discussions."

1.19. The Committee note the Government's assurance that the Annual Report on the working of Industrial and Commercial Undertakings of the Central Government for the year 1972-73, would be made available to both Houses of Parliament by the first week of April i.e., before the Demands for Grants are taken up for discussion. The Committee hope that every effort will be made by Government to ensure that the Annual Reports in the subsequent years are also presented to Parliament in time as any delay in the presentation of such Reports defeats the very purpose of making these Reports available to Parliament.

F. **Annual Reports of Public Undertakings**

1.20. Section 619A of the Companies Act, stipulates that where the Central Government is a member of a Government Company, the Central Government shall cause an annual report on the working and affairs of that company to be (a) prepared within *three months* of its annual general meeting before which the audit report is placed under sub-section (5) of section 619: and (b) as soon as may be after such preparation, laid before both Houses of Parliament together with a copy of the audit report and any comments upon, or supplement to the audit report, made by the Comptroller and Auditor General of India.

1.21. There has been considerable delay in the laying of the Annual Reports of Public Undertakings before both the House of

Parliament. A few instances are given below:—

Name of PU	Year to which Annual Report Relates.	Date of Annual General Meeting	Date on which laid on the Table of the House	Time taken (Months)
1. Hindustan Insecticides. . .	1971-72	22-9-72	28-8-73	11
2. National Seeds Corporation .	1971-72	30-11-72	27-8-73	9
3. Tannery & Footwear Corporation .	1971-72	10-11-72	4-9-73	9
4. National Mineral Development Corporation	1971-72	27-12-72	31-8-73	8

1.22. One of the reasons for delay in presentation of the Annual Report of the Bureau of Public Enterprises is the delay in finalisation of accounts by the Public Undertakings and laying the Annual Reports before both Houses of Parliament under Section 619A of the Companies Act, 1956. The Committee note that in the case of some of the public undertakings as, for example, Hindustan Insecticides Ltd., National Seeds Corporation, Tannery and Footwear Corporation, National Mineral Development Corporation, there was a time lag of 8 to 11 months between the date of their Annual General meetings and the date on which their Annual Reports were laid before both Houses of Parliament. Government should impress upon all the public undertakings the need to furnish their Annual Reports soon after and at any rate not later than three months after the holding of the General meeting so that the Government may lay the reports before the Parliament at the earliest.

NEW DELHI;
December 20, 1973.
Agrahayana 29, 1895 (S).

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

APPENDIX

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

(FINANCE DIVISION)

Note for the Consideration of the Committee on Public Undertakings

SUB.: *Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government—Form and content.*

Genesis:

The first annual report on the Working of Industrial and Commercial Undertakings of the Central Government was prepared for the year 1960-61 by the Ministry of Finance. In the introduction to the first annual report it was stated that a composite picture of the working of these undertakings has been in demand for some time though the annual reports and balance sheets of each undertaking are presented separately every year to Parliament in accordance with the requirements of the Indian Companies Act, 1956.

In the 73rd Report (2nd Lok Sabha), the Estimates Committee (1959-60) made the following points:

(i) There is no consolidated information available with regard to the total investment made by Government in the public undertakings and the subsequent changes made therein by way of addition or withdrawal;

(ii) No consolidated information is available with regard to the working of the undertakings and the net effect thereof on the national economy of the country; and

(iii) Even with regard to individual undertakings Parliament does not got information in time with regard to their working and the state of their present condition and even when the information is made available, it is found to be very often inadequate.

2835 LS—2.

The Committee, therefore, reiterated its earlier recommendations and stated that to get a full picture of the role played by public undertakings in the development of the country's economy and resources, it would be essential that in addition to the annual reports of the public undertakings which are laid before Parliament individually a separate comprehensive report should be presented to Parliament indicating the Government's appraisal of their working.

2. In Ministry of Finance (EAD) Memorandum No. F.3(106)-V|63 dated 18th December, 1963, it was proposed to the Estimates Committee and the Public Accounts Committee that as a result of the decision to present a consolidated Annual Report on the working of Industrial and Commercial Undertakings of the Government and also for the sake of economy as well as for better presentation of the Demands for Grants, it is no longer necessary to reproduce the balance sheets in the budget documents. It was also stated that every effort would be made to present the annual report on the working of Industrial and Commercial Undertakings as soon as possible after the presentation of the annual budget and in addition the Ministries concerned would present to Parliament the accounts of their undertakings as required under the respective Charters or the Indian Companies Act, 1956, as the case may be.

The Estimates Committee in their 42nd Report (Third Lok Sabha) considered the note of the Finance Ministry and in January, 1964, while agreeing to the proposal to exclude the P&L Accounts and the balance sheets of the public undertakings from the volumes containing the Demands for Grants made the following stipulations regarding the consolidated annual report:

"(a) The consolidated Annual Report on Industrial and Commercial Undertakings should hereafter cover all the public undertakings and should be made more comprehensive; (The results of working of certain undertakings, as for example, those which do not earn profits or financial institutions may be included in a separate chapter in the consolidated report).

(b) a contents page and index may be added to the consolidated report;

(c) the consolidated report should be presented to Parliament along with the Budget Papers (During the current year, however, it might be presented before Demands for Grants are taken up for consideration).

(d) the notes on important schemes which gave a brief account of the working of the individual undertakings should continue to be given in the volumes of the Demands for Grants pertaining to the respective Ministries."

The Estimates Committee also noted that the annual reports presented to Parliament till then did not cover organisations run departmentally like Chittaranjan Locomotives Work, Perambur Integral Coach Factory, Ordnance Factories, P&T Workshops, etc. The Committee also observed that these reports do not cover research, financial and banking institutions, such as, National Research Development Corporation, Industrial Finance Corporation, LIC of India, etc.

Latest recommendations of the Estimates Committee and the Committee on Public Undertakings on the Annual Report:

3. In Serial Nos. 25, 26 and 27 of the Appendix IV of the 24th Report (5th Lok Sabha), the Estimates Committee have made certain recommendations regarding the contents and the time of releasing the annual report to the Parliament. The Committee has recommended that the annual report should *inter alia* bring out:

(a) The contribution made by undertakings in achieving a self-reliant and self-generating economy and in achieving the social and economic objectives;

(b) the extent to which the role and objectives envisaged for the undertakings have been achieved;

(c) quality and price of goods manufactured by these undertakings and the extent to which these have given satisfaction to the public.

(d) percentage utilisation of rated capacity; and

(e) cumulative and annual loss on these undertakings, reasons therefor and the remedial steps taken or proposed to be taken by Government.

The Committee have suggested that the Government should take concerted measures to ensure that the process of compilation and printing is speeded up so that the report is made available to the Members of Parliament along with other budget papers. The Committee have further recommended that an examination of the information provided in the consolidated report brought out by the

Bureau of Public Enterprises should immediately be undertaken with a view to improving the format and giving to Parliament information on all vital aspects affecting these undertakings in a properly analysed manner. The Committee have recommended that detailed proposals for improving the report and presentation of data in a meaningful manner and its timely submission to Parliament should be drawn up and submitted to the Committee on Public Undertakings for approval before implementation.

4. In the 40th Report on Role and Achievements of public undertakings the Committee on Public Undertakings, (5th Lok Sabha) has made the following recommendations:

> "The Committee reiterate the recommendations made by the Estimates Committee in para 14.5 and 14.6 of the Twenty Fourth Report (5th Lok Sabha) on the form and content of Demands for Grants that the contents of the Bureau's annual report on Industrial and Commercial Enterprises should be improved and that the report should be made available to Members of Parliament along with the budget papers. The Committee would like the Bureau to improve the annual report so that it brings out clearly the achievements of public undertakings as also focusses attention on significant issues which are hampering the achievements of production targets by the public undertakings in the interest of greater accountability to Parliament".

Annual Report 1971-72:

5. The last annual report prepared and presented by the Bureau of Public Enterprises on the Working of Industrial and Commercial Undertakings of the Central Government relates to the year 1971-72 and it covers 101 Central Government undertakings *i.e.*, undertakings in which the Central Government holds share to the extent of 51 per cent or more. Six of these undertakings are statutory Corporations while 95 are Government companies as defined in Section 617 of the Companies Act.

The Annual Report for 1971-72 includes the performance of Life Insurance Corporation of India and National Research Development Corporation which were not originally included in the Annual Report as noted by the Estimates Committee in its 42nd Report (3rd Lok Sabha). The Life Insurance Corporation of India was included in the Annual Report *w.e.f.*, the year 1963-64 whereas the National Research Development Corporation was included with

effect from the year 1962-63. The Annual Report for 1971-72 does not cover departmental undertakings like Chittaranjan Locomotive Works, Integral Coach Factory, Perambur, Ordnance Factories, P&T Workshops, etc., and also banking and financial institutions like Industrial Finance Corporation, Unit Trust of India, Reserve Bank of India, State Bank of India, the nationalised banks, etc. The report for 1971-72, however, contains a chapter on 13 undertakings in which the Central Government has made some investment without having direct responsibilities for the management of such undertakings.

What Undertakings the Annual Report should cover?

6. Since the preparation of the first annual report in 1960-61 which included 42 undertakings, the Bureau of Public Enterprises has been including more undertakings in the subsequent annual reports. The increase in the number of undertakings to 101 during 1971-72 has been due to the fact that new Government companies and corporations have come into existence since 1960-61. As already explained LIC was included in the Annual Report for the first time from the report for 1963-64 under the category 'Financial Institutions', which was added in pursuance of the recommendation of the Estimates Committee in their 42nd Report (Third Lok Sabha). Industrial Finance Corporation of India was also included in the annual report for 1963-64. However, from the report for 1964-65 Industrial Finance Corporation was excluded as during that year the Central Government ceased to be a shareholder of Industrial Finance Corporation.

As the Committee on Public Undertakings is charged with the functions of examining the reports and accounts of public undertakings specified in the Fourth Schedule to the Rules of Procedure and Conduct of Business in Lok Sabha, it is considered that the Bureau of Public Enterprises in its annual report should cover all undertakings which fall under the purview of the Committee on Public Undertakings from time to time. However, the above view would mean that institutions such as, the Reserve Bank of India and its subsidiary organisations like Industrial Development, Bank of India, Industrial Finance Corporation, Unit Trust of India, etc., and banking companies like State Bank of India and the nationalised banks would not be covered in the annual reports presented to Parliament by the Bureau of Public Enterprises. As Life Insurance Corporation is an organisation specified in the Fourth Schedule, its working should continue to be covered in the annual report and in case the nationalised general insurance companies fall within

the purview of the Committee on Public Undertakings, these will also be covered in the annual report.

7. A broad classification of the various undertakings would be:

(a) Statutory Corporations;

(b) Companies registered under the Companies Act, 1956.

Even in regard to the companies registered under the Companies Act, there are some Government companies which have been allowed to dispense with the word "limited" under Section 25 of the Act and such companies have to apply their profits or other income, if any, in promoting their objectives and prohibit the payment of any dividend to their members. However, such companies fall within the definition of the term 'Government company' as provided for in Section 617 of the Companies Act and consequently with reference to Section 619A, all these companies are required to place their annual reports before both the Houses of Parliament if the Central Government is a member of such companies. The presentation of annual reports to both the Houses of Parliament is a statutory provision under the Companies Act, which has to be complied with even if the Central Government happens to be a minority shareholder if with reference to Section 617 of the Act the total holding by Government of shares in a company is not less than 51 per cent and such shares are held jointly by the Central Government with any one or more State Governments. A subsidiary of a Government company is also a Government company within the meaning of the Act.

Thus, the Annual Report would henceforth include an analysis of all public undertakings referred to in the Fourth Schedule which refers to certain corporations established under Central Acts and all Government companies whose annual reports are required to be placed before both the Houses of Parliament under Section 619A of the Companies Act. The latter would include *inter alia* companies governed by Section 25 of the Companies Act, 1956, in which the Central Government has made investments and also Government companies where the Central Government is not a majority shareholder.

Classification in the Annual Report:

8. In the past for the purposes of the Annual Report the companies were placed in the following eight categories:—

Category—

I. Undertakings under construction.

II. Running concerns—Hindustan Steel Ltd.

III. Running concerns—Petroleum Industry.

IV. Running concerns—Industrial and manufacturing (other than HSL and petroleum Group).

V. Running concerns—Trading.

VI. Running concerns—Commercial and Miscellaneous.

VII. Promotional and Developmental Undertakings.

VIII. Life Insurance Corporation.

Proposed revised classification:

9. To appreciate the working of various undertakings in proper perspective and to suitably differentiate between companies/undertakings engaged in different types of activities, it would be desirable to classify them on a more rational basis retaining, however, the basic distinction between the projects under construction and running concerns. The running companies, if a basic grouping is attempted, would fall under two categories:—

1. Enterprises which are manufacturing and selling goods; and

2. Enterprises which are providing and selling services.

However, within the above basic grouping, it would be necessary to place various undertakings in distinct and cognate groups taking into consideration factors such as, relationship of companies in a group towards the declared national objectives, grouping with reference to technological and managerial problems, group on the basis of professional skills required for running organisations and grouping with reference to appraisal requirements.

The Annual Report for 1971-72 covered 101 undertakings as listed in Annexure I. These 101 undertakings were Central Government companies where the Central Government holds 51 per cent or more in the equity and included six statutory corporations. As Already stated, the annual report covered in a separate chapter,

13 undertakings in which the Central Government had made investments but did not have direct responsibility for management. A list of these companies as covered in the report for 1971-72 is at Annexure II.

BPE's Proposals relating to annual Report 1972-73:

10. Improving the form and content of the annual report is a continuous process in which the Bureau of Public Enterprises is engaged. In the report for 1971-72 the following additional features were incorporated:—

(i) A new chapter on the performance of petroleum group of industries has been introduced;

(ii) A chapter has been added on "Maintenance of Machinery" which indicates the extent of breakdowns and losses resulting therefrom. An account of measures taken by the enterprises for effective utilisation of machinery has also been given.

(iii In the chapter on Sales promotion and exports the Table showing production in quantitative terms has been modified to indicate the extent of capacity utilisation in respect of major items of production.

(iv) The analysis appended at the end of the Report gives the working results of enterprises for three years instead of for two years given in the past.

For the year 1972-73 it is proposed to include in addition to the above undertakings any new companies which have been registered but for the purpose of classifying the Central Government undertakings the rational grouping would be as follows:

1. Projects under construction:
2. **Running Concerns:**

I. **Production Companies**

A. **Basic raw materials**

(a) Steel
(b) Minerals & Metals
(c) Petroleum
(d) Chemicals and pharmaceuticals

B. **Capital Goods:**

(a) Heavy Engineering

(b) Medium and light engineering

(c) Transportation equipment.

C. **Consumer Goods:**

D. **Agro-based Industries:**

II. **Service Companies**

(a) Trading and Marketing services

(b) **Transportation services**

(a) Air

(b) Sea

(c) Road

(c) Contracts and Construction Services

(d) Industrial Development and Technial Consultancy Services.

(e) Development of Small Industries.

(f) Tourist Services

(g) Financial Services

(h) Insurance

(i) Rehabilitation of sick industries.

Annexure III shows how the 101 undertakings listed under Appendix I would appear under the revised classification if they were all running concerns.

It is not proposed to show in the classification any distinction between Section 25 companies and the other companies as the only difference between the two is that Section 25 companies are forbidden from distributing any dividends; otherwise their financial and other problems would in no way be different from the non-section 25 companies falling under the same group.

As in the past a separate chapter on companies in which the Central Government has made investment would be incorporated. For the year 1972-73 the number of companies covered in this group would be more or less the same as these covered during 1971-72. The Bureau of Public Enterprises has taken on hand the task of compiling in consultation with the Department of Company Affairs and the

Budget Division an uptodate list of all Government companies in which the Central Government is holding any shares so that the annual accounts of these companies may be obtained and suitably incorporated in the annual report in future. The report would also include material relating to the following:

(i) Benefits derived by individual States due to Central public undertakings.

(ii) Pricing policies.

(iii) Amenities to employees including housing.

(iv) Productivity including maintenance, quality control and marketing management.

(v) Ancillary industries.

Date of Presentation of the Report

11. The Estimates Committee and the Committee on Public Undertakings have reiterated that the report should be available to the Members of Parliament along with other budget papers. As explained to the Estimates Committee during the evidence tendered before their Twenty Fourth Report (5th Lok Sabha) was compiled, the preparation of the Annual Report in the Bureau of Public Enterprises requires, in addition to the time taken for consolidation and analysis, a period of 3 to 4 months for the Press to bring out the English and Hindi versions. The recommendation of the Committee was noted and it was stated that every effort would be made to improve upon the date of presentation of the report to the Parliament.

As the Bureau of Public Enterprises has undertaken to improve the form and content of the report from time to time, considerable effort has to be directed towards research and analysis of the reports received individually from the undertakings. Further our conclusions would have to be cross-checked with the undertakings before publication. For the year 1972-73 it is hoped to make the report available to both the Houses of Parliament by the first week of April, *i.e.* before the Demands for Grants are taken up for discussions.

12. The Committee on Public Undertakings is requested to approve the proposals contained in paragraphs 10 and 11 of the Note.

NEW DELHI;
The 26th October, 1973.

Sd/-
(N. RAJAN),
Adviser (Finance).

ANNEXURE I

List of Central Government Enterprises under different Ministries included in the Annual Report for the Year 1971-72

Ministry of Defence

1. Bharat Earth Movers Ltd.
2. Bharat Electronics Ltd.
3. Garden Reach Workshops Ltd.
4. Goa Shipyard Ltd. (Subsidiary of Mazagon Dock Ltd.).
5. Hindustan Aeronautics Ltd.
6. Mazagon Dock Ltd.
7. Praga Tools Ltd.
8. Bharat Dynamics Ltd.

Ministry of Education and Youth Services

9. National Research Development Corporation.

Ministry of Finance

10. Life Insurance Corporation.

Ministry of Agriculture

11. Central Fisheries Corporation.
12. Central Warehousing Corporation.
13. Food Corporation of India.
14. National Seeds Corporation Ltd.
15. Modern Bakeries of India Ltd.
16. State Farms Corporation of India Ltd.
17. Indian Dairy Corporation Ltd.

Ministry of Foreign Trade

18. Export Credit & Guarantee Corporation Ltd.
19. Handicrafts & Handloom Export Corporation Ltd. (Subsidiary of STC).
20. Indian Motion Pictures Export Corporation Ltd. (Subsidiary of STC).
21. Minerals & Metals Trading Corporation of India Ltd.
22. State Trading Corporation of India Ltd.

23. National Textile Corporation Ltd.
24. Cashew Corporation of India Ltd. (Subsidiary of STC)
25. Cotton Corporation of India.
26. Jute Corporation of India Ltd.
27. Projects & Equipment Corporation (Subsidiary of STC).

Ministry of Health and Family Planning

28. Hindustan Latex Ltd.

Ministry of Works, Housing & Urban Development

29. Hindustan Housing Factory Ltd.
30. National Building Construction Corporation Ltd.
31. Housing & Urban Development Corporation Ltd.

Ministry of Industrial Development.

32. Bharat Heavy Electricals Ltd.
33. Cement Corporation of India Ltd.
34. Heavy Electricals (India) Ltd.
35. Hindustan Cables Ltd.
36. Hindustan Machine Tools Ltd.
37. Hindustan Photofilms Manufacturing Co. Ltd.
38. Hindustan Salts Ltd.
39. Instrumentation Ltd.
40. Machine Tools Corporation of India Ltd.
41. National Industrial Development Corporation Ltd.
42. National Instruments Ltd.
43. National Newsprint & Paper Mills Ltd.
44. National Small Industries Corporation Ltd.
45. Sambhar Salts Ltd. (Subsidiary of Hindustan Salts Ltd.)
46. Bharat Pumps & Compressors Ltd.
47. Tannery & Footwear Corporation of India Ltd.
48. Hindustan Paper Corporation Ltd.
49. Indian Consortium for Power Projects.

Ministry of Information & Broadcasting.

50. Film Finance Corporation Ltd.

Ministry of Irrigation & Power.

51. National Projects Construction Corporation Ltd.
52. Rural Electrification Corporation.
53. Water & Power Development Consultancy Services (I) Ltd.

Ministry of Petroleum & Chemicals

54. Cochin Refineries Ltd.
55. Engineers (India) Ltd.
56. Fertilizer Corporation of India Ltd.
57. Fertilizers & Chemicals Travancore Ltd.
58. Hindustan Antibiotics Ltd.
59. Hindustan Insecticides Ltd.
60. Hindustan Organic Chemicals Ltd.
61. Pyrites, Phosphates & Chemicals Ltd.
62. Indian Drugs & Pharmaceuticals Ltd.
63. Indian Oil Corporation Ltd.
64. Lubrizol India Ltd.
65. Madras Fertilizers Ltd.
66. Madras Refineries Ltd.
67. Oil & Natural Gas Commission.
68. Indian Petrochemicals Corporation Ltd.
69. Indo Burmah Petroleum Co. Ltd. (Subsidiary of IOC).
70. Indian Oil International Ltd. (Subsidiary of IOC).

Ministry of Shipping & Transport

71. Central Road Transport Corporation Ltd.
72. Central Inland Water Transport Corporation.
73. Hindustan Shipyard Ltd.
74. Mogul Lines Ltd.
75. Shipping Corporation of India Ltd.

Ministry of Steel & Mines. Deptt. of Steel

76. Bharat Heavy Plate & Vessels Ltd.
77. Bokaro Steel Ltd.
78. Heavy Engineering Corporation Ltd.
79. Hindustan Steel Ltd.
80. Hindustan Steel Works Construction Ltd.

81. Mining & Allied Machinery Corporation Ltd.
82. Triveni Structurals Ltd.
83. Tungabhadra Steel Products Ltd.
84. Engineering Projects India Ltd.

Department of Mines & Metals.

85. Bharat Aluminium Co. Ltd.
86. Hindustan Copper Ltd.
87. Hindustan Zinc Ltd.
88. National Coal Development Corporation Ltd.
89. National Mineral Development Corporation Ltd.
90. Neyveli Lignite Corporation Ltd.

Ministry of Tourism & Civil Aviation, Department of Civil Aviation.

91. Air India.
92. Indian Airlines.
93. Air India Charters Ltd.
94. Hotel Corporation of India.

Department of Tourism.

95. India Tourism Development Corporation Ltd.

Department of Atomic Energy.

96. Electronic Corporation of India Ltd.
97. Indian Rare Earths Ltd.
98. Uranium Corporation of India Ltd.

Department of Communications

99. Hindustan Teleprinters Ltd.
100. Indian Telephone Industries.

Department of Labour & Employment.

101. Rehabilitation Industries Corporation Ltd.

ANNEXURE II

Undertakings with Central Government Investment without Direct Responsibility for Management

1. Bolani Ores Ltd.
2. British India Corporation Ltd.
3. Damodar Valley Corporation.
4. Indian Explosives Ltd.
5. Lube India Ltd.
6. Machinery Manufacturers Corporation Ltd.
7. Manganese Ore Ltd.
8. Oil India Ltd.
9. Sikkim Mining Corporation.
10. Sindhu Resettlement Corporation.
11. Singareni Colleries Co. Ltd.
12. Jessops & Company Ltd.
13. Mysore Iron & Steel Ltd.

ANNEXURE III

Revised classification of Public Sector Enterprises that existed on 31st March, 1972 assuming that they will all be running concerns during 1972-73.

I. Enterprises manufacturing & selling goods

A. Enterprises producing capital goods

(i) *Heavy Engineering.*

1. Bharat Heavy Electricals Ltd.
2. Heavy Electricals (India) Ltd.
3. Heavy Engineering Corporation Ltd.
4. Mining & Allied Machinery Corporation Ltd.
5. Bharat Heavy Plate & Vessels Ltd.
6. Triveni Structurals Ltd.
7. Tungabhadra Steel Products Ltd.

(ii) *Medium and Light Engineering.*

1. Bharat Electronics Ltd.

2. Electronics Corporation of India Ltd.
3. Hindustan Teleprinters Ltd.
4. Indian Telephone Industries.
5. Bharat Dynamics Ltd.
6. Hindustan Cables Ltd.
7. Hindustan Machine Tools Ltd.
8. Machine Tools Corporation of India Ltd.
9. Praga Tools Ltd.
10. National Instruments Ltd.
11. Instrumentation Ltd.
12. Bharat Pumps & Compressors Ltd.

(iii) *Transportation Equipment.*

1. Hindustan Aeronautics Ltd.
2. Hindustan Shipyard Ltd.
3. Garden Reach Workshops Ltd.
4. Goa Shipyard Ltd. (Subsidiary of Mazagon Dock Ltd.).
5. Mazagon Dock Ltd.
6. Central Inland Water Transport Corporation.
7. Bharat Earth Movers Ltd.

B. Enterprises producing consumer goods

1. Hindustan Latex Ltd.
2. Hindustan Photofilms Manufacturing Co. Ltd.
3. Modern Bakeries of India Ltd.
4. National Newsprint & Paper Mills Ltd.
5. Hindustan Paper Corporation Ltd.
6. Tannery & Footwear Corporation of India Ltd.

C. Enterprises producing basis materials

(i) *Steel*

1. Hindustan Steel Ltd.
2. Bokaro Steel Ltd.

(ii) *Minerals & Metals*

1. National Coal Development Corporation Ltd.

2. Neyveli Lignite Corporation Ltd.
3. National Mineral Development Corporation Ltd.
4. Hindustan Copper Ltd.
5. Hindustan Zinc Ltd.
6. Bharat Aluminium Co. Ltd.
7. Pyrites, Phosphates & Chemicals Ltd.
8. Uranium Corporation of India Ltd.
9. Indian Rare Earths Ltd.

(iii) *Petroleum*

1. Indian Oil Corporation Ltd.
2. Cochin Refineries Ltd.
3. Madras Fertilizers Ltd.
4. Indian Oil International Ltd. (Subsidiary of IOC).
5. Indo-Burmah Petroleum Co. Ltd. (Subsidiary of IOC).
6. Oil & Natural Gas Commission.
7. Lubrizol India Ltd.

(iv) *Chemicals & Pharmaceuticals*

1. Fertilizer Corporation of India Ltd.
2. Fertilizers & Chemicals Travancore Ltd.
3. Madras Fertilizers Ltd.
4. Indian Drugs & Pharmaceuticals Ltd.
5. Hindustan Antibiotics Ltd.
6. Hindustan Insecticides Ltd.
7. Hindustan Organic Chemicals Ltd.
8. Hindustan Salts Ltd.
9. Sambhar Salts Ltd. (Subsidiary of Hindustan Salt Ltd.).
10. Indian Petrochemicals Corporation Ltd.
11. Cement Corporation of India Ltd.

D. *Agro based industries*

1. National Seeds Corporation Ltd.
2. State Farms Corporation of India Ltd.

II. Enterprises providing & selling services

(a) **Trading and Marketing Services**

1. State Trading Corporation of India Ltd.
2. Food Corporation of India.
3. Cashew Corporation of India Ltd. (Subsidiary of STC).
4. Cotton Corporation of India.
5. Jute Corporation of India Ltd.
6. Central Fisheries Corporation.
7. Indian Dairy Corporation Ltd.
8. Minerals & Metals Trading Corporation of India Ltd.
9. Projects & Equipment Corporation (Subsidiary of STC).
10. Indian Motion Pictures Export Corporation Ltd. (Subsidiary of STC).
11. Handicrafts & Handloom Export Corporation Ltd. (Subsidiary of STC).
12. Central Warehousing Corporation.

(b) **Transportation Services**

Air

1. Air India.
2. Indian Airlines
3. Air India Charters Ltd. (Subsidiary of Air India).

Water

4. Shipping Corporation of India Ltd.
5. Mogul Lines Ltd.

Road

6. Central Road Transport Corporation Ltd.

(c) **Contracts & Construction Services**

1. Hindustan Housing Factory Ltd.
2. Hindustan Steel Works Construction Ltd.
3. National Building Construction Corporation.
4. National Projects Construction Corporation Ltd.
5. Indian Consortium for Power Projects.
6. Housing & Urban Development Corporation Ltd.

(d) **Industrial Development and Technical Consultancy Services**

1. Engineers (India) Ltd.
2. Engineering Projects India Ltd.
3. National Industrial Development Corporation Ltd.
4. National Research Development Corporation.
5. Water & Power Development Consultancy Services (I) Ltd.

(e) **Development of Small Industries**

1. National Small Industries Corporation Ltd.

(f) **Tourist Services**

1. Indian Tourism Development Corporation Ltd.
2. Hotel Corporation of India (Subsidiary of Air India).

(g) **Financial Services**

GMGIPND—LS-II—2835 LS—14-2-74—1,325.